

ISSUE DATE: August 2, 1996

DOCKET NO. G-011/M-95-518

ORDER REQUIRING REFUND

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs
Marshall Johnson
Dee Knaak
Don Storm

Chair
Commissioner
Commissioner
Commissioner

In the Matter of the Request of Peoples
Natural Gas Company to Change Its Method
of Recovering Pipeline Demand Costs from
Joint Rate Customers Effective September 1,
1994

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PROCEDURAL HISTORY

On February 8, 1995, the Department of Public Service (the Department) filed a letter informing the Commission that Peoples Natural Gas Company, Division of UtiliCorp United, Inc., (Peoples or the Company) had increased its demand rates for Small Volume Joint, Large Volume Joint, and Super Large Volume Joint customers without Commission approval. The Department recommended that the Commission require Peoples to seek approval of the rate change and to provide an explanation for it.

On May 19, 1995, Peoples submitted a request for approval of the change in demand rates, effective September 1, 1994. The filing did not include a description of the proposed change or an explanation of the need for it.

On July 18, 1995, the Department submitted comments. The Department recommended denial of the proposed changes, a refund of over-collected transition costs, and implementation of a self-directed compliance plan to improve Peoples' purchased gas adjustment (PGA) process.

On August 1, 1995, Peoples filed reply comments.

On July 18, 1996, the matter came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

I. POSITIONS OF THE PARTIES

A. Peoples

In its May 19, 1995 filing, Peoples asked for approval of its September 1, 1994 increase in the demand rate in the firm part of its joint rate for Small, Large, and Super Large Volume customers. Peoples proposed implementing the increase by removing the cost of on-peak pipeline entitlements from the demand charge and summing the cost of the remaining

entitlements that are included in the demand charge. Removing the cost of on-peak demand entitlements and summing the remaining costs would take the place of the usual process of adding up all demand costs and dividing by the annualized amount of entitlement volumes under contract.

Peoples acknowledged that it had accidentally double-recovered Northern's transition cost recovery charge and agreed to make a refund of the overrecovered amounts in the 1995 annual PGA true-up. Peoples stated that its PGA miscalculations were caused by human error and that no further Commission action is necessary to meet the Department's and Commission's compliance standards in the future.

In its August 1, 1995 reply comments, Peoples disputed the Department's recommendation to deny the proposed rate design change. At the July 18, 1996 meeting, Peoples asked that if the Commission denies its rate change proposal, that the change be denied prospectively, as of the date of the Order, rather than from the date that the rate design change was implemented, September 1, 1994.

B. The Department

In its comments, the Department recommended denial of Peoples' proposed rate design changes, a refund of over-collected transition costs, and the requirement of a compliance plan.

At the July 18, 1996 meeting, Peoples had already agreed to refund the transition cost overcharges. Issues remaining were the proposed rate design change, the prospective or retrospective nature of the denial of the rate change proposal, and the requirement of a compliance filing. The Department recommended that the rate change be denied, and that the denial reach back to September 1, 1994, the date of the change in rate allocation. According to the Department, the Commission should require a refund because some joint rate customers have been charged an increase due to the rate design change.

The Department withdrew its request for a compliance plan filing at the July 18 meeting. The Department noted that Peoples' miscalculations had been unintentional and that the Company had improved its PGA administration as of late.

II. COMMISSION ACTION

The Commission agrees with the Department that Peoples should not be required to file a PGA compliance plan, since the Company has hired a new PGA administrator and is working to improve its PGA calculation and processing methods.

Peoples has never questioned the need to refund its transition cost overrecoveries; the Company has already refunded the overcharges with interest in its 1995 PGA true-up.

The Commission agrees with the Department's recommendation that Peoples' proposed rate design change should be denied. The Commission notes that Peoples' requested change would increase, not decrease, rates for a service that Peoples has argued imposes less cost. In

addition, Peoples' proposal, if granted, would result in a significant change in revenue responsibility among customer classes outside of a general rate case. The Commission believes that significant rate design decisions should be reached, whenever possible, in the context of a full examination of rate design conducted in a general rate case proceeding.

The Company has asked that, if the Commission denies its rate change proposal, the Commission allow the denial to be effective with the issuance of this Order, thereby eliminating the need for a refund. The Department recommends that the denial be retrospective to September 1, 1994, when the unauthorized rate design change was implemented.

The Commission agrees with the Department that the rate design change should be reversed as of September 1, 1994, requiring a refund through the 1996 PGA true-up. The refund would flow to joint rate customers who were overcharged due to the Company's unauthorized shift in rate allocations. These customers have a right to be made whole through the refund process.

ORDER

1. The Commission denies Peoples' May 19, 1995 proposal to change demand rates, as of September 1, 1994, when the shift in rate allocations was put into place. Peoples shall provide a refund to joint rate customers overcharged by the unauthorized change in rate design. The refund shall be distributed through the 1996 PGA true-up.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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